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GAIN Report

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Australia

Grain and Feed Update

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Report Highlights:

In eastern Australia, cooler and extremely wet conditions has boosted production for the 2010/11 (July-June) winter cereal crop (wheat and barley) beyond previous forecasts. Western Australia, conversely, experienced record low rainfall and many failed crops, however, managed to exceed expectations.

Post:

Canberra

Commodities:

Wheat

Barley

Sorghum

Rice, Milled

Summary:

Since Post last reported (November update), the eastern Australian wheat belt has received heavy rainfall, flooding and cooler temperatures. The spring period of CY 2010 was purportedly the wettest on record for eastern Australia. This has effectively pushed crop production higher than previously forecast and seriously affected the quality of the 2010/11 winter cereal crop. Despite this increase, Post has remained cautious in revising production forecasts, upwards.

Eastern Australia appears to have broken its longest running and most severe drought ostensibly recording record rainfall for CY 2010. Widespread flooding has been experienced in the states of Victoria, New South Wales and most recently Queensland. Flooding has destroyed crops in areas adjacent to rivers, destroyed property and caused loss of life in towns and cities. The floods in N.S.W. and Queensland in particular, have been compared with the legendary floods of 1974. Western Australia remains in drought while South Australia has experienced wet conditions but not the extreme weather recorded elsewhere.

In eastern Australia, cooler and extremely wet conditions boosted production for the 2010/11 (July-June) winter cereal crop (wheat and barley) beyond previous forecasts. However, wet and cooler conditions pushed the bulk of the winter cereal harvest back into late December and early January (which recorded heavy rainfall and flooding).

In eastern Australia, the heavy rainfall resulted in more premium quality wheat being downgraded to feed quality. In the most extreme cases, some wheat and barley crops were unable to be harvested or lost to flooding. However, losses in harvested area were more than compensated for by improved yields boosting production in all eastern states (Victoria, South Australia and possibly New South Wales). Post has not yet revised planted area numbers downwards.

Despite the difficult harvest conditions, many winter cereal producers in eastern Australia achieved record yields. Western Australia, conversely, experienced record low rainfall and many failed crops, however, managed to exceed expectations in terms of total production.

Sorghum production prospects have improved despite losing some area to flooding. Improved yield, due to heavy rainfall, is expected to see overall production increase somewhat.

Rice production is also expected to increase as water availability continues to improve.

Wheat

Total wheat production for 2010/11 is forecast at 24.6 MMT, up over one million metric tons on Post's previous forecast and up over two million tons on estimated production for 2009/10. At time of writing this report, it remains unclear how much of the 2010/11 wheat crop has been lost to bad weather.

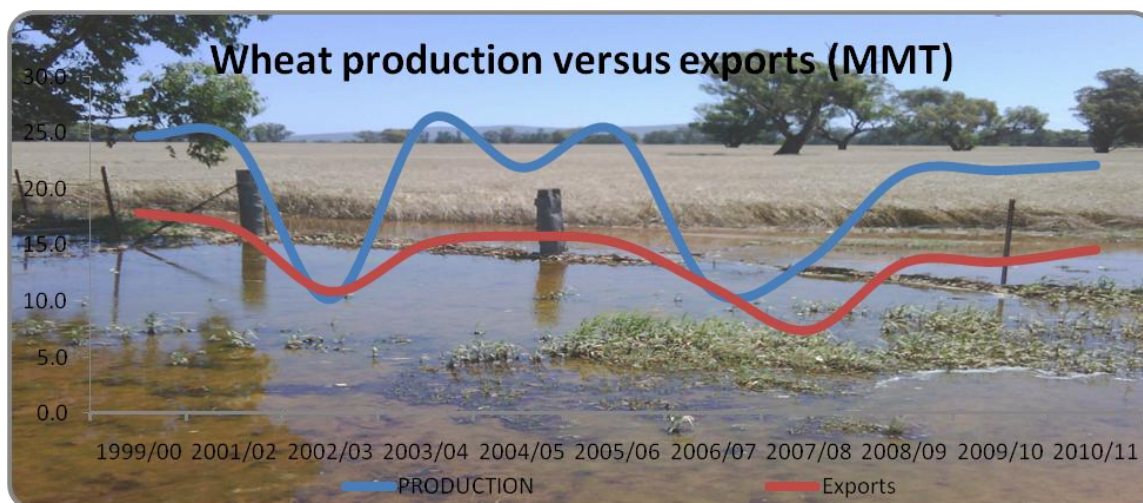
NSW, Victoria and South Australia are forecast to surpass Post's previous forecast. Queensland is likely to fall below previous expectations while W.A. is forecast to exceed previous poor expectations. At this point in time, it appears that Queensland and northern N.S.W. have suffered the worst conditions at harvest and this has lead to a decrease in forecast production for Queensland and constrained further increases for N.S.W. Western Victoria has also suffered from poor weather conditions at harvest and a conservative forecast has been maintained for production in this state as a result.

State Production Assumptions for 2010/11						
Wheat	NSW	Vic	Qld	WA	SA	Australia
10/11 (post July forecast)	8,000	3,000	1,700	6,488	4,000	23,188
10/11 (post Nov forecast)	9,500	3,200	1,700	4,488	4,300	23,188
10/11 (post Feb Forecast)	9,500	4,000	1,500	4,700	4,900	24,600
10/11 (ABARE June forecast)	6,591	2,509	1,539	7,964	3,504	22,138
10/11 (ABARE Sept forecast)	9,875	3,395	1,575	6,063	4,161	25,069
10/11 (ABARE Dec forecast)	11,850	4,428	1,440	3,600	5,475	26,793
Previous record	8,602	3,145	1,941	11,070	4,778	26,132

Forecast production for 2010/11 would not be considered a record according to Australian Bureau Agricultural and Resource Economics and Sciences (ABARES') historic data. However, ABARES' December forecast of 26.793 MMT would be considered an all time record.

Post advises that a "historically high" proportion of Australia's 2010/11 wheat crop has been damaged by poor weather at harvest. Much of the crop has been downgraded to feed quality with expected trade implications.

Historical ABARES data shows variation in the proportion of the wheat crop which is exported (vis a vi production) from year-to-year. Some of the factors influencing this variation include export demand versus domestic demand, relative value of the Australian dollar and the proportion of crop which is downgraded to feed. Increased proportions of feed wheat have indicated lower export levels as feed wheat has historically been consumed by domestic livestock feeders in preference to export markets. However, Post advises that the weather affected 2010/11 crop is facing historically strong export demand and that this will possibly see historically high levels of feed wheat exported. Industry sources believe export buyers have been more competitive than domestic processors in purchasing large volumes of feed grade wheat during this period.



Data: ABARES. Photo: Mike Darby

A recent Australian Bureau of Statistics (ABS) wheat use and stocks report, stated that bulk grain handlers were holding 6.3 MMT of wheat graded for milling and 2.1 MMT of wheat graded for feed at the end of November. This remains sharply higher than the 1.44 MMT of wheat graded for feed in November of the previous year. Post anticipates that the figures for the end of December are likely to show increased levels of wheat graded for feed as wetter conditions persisted into the crucial harvest period.

Wheat	2008/2009		2009/2010		2010/2011	
Australia	Market Year Begin: Oct 2008		Market Year Begin: Oct 2009		Market Year Begin: Oct 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,530	13,350	14,028	14,028	13,350	13,350
Beginning Stocks	3,651	3,651	3,588	3,588	4,106	4,683
Production	21,420	21,420	21,923	22,500	25,000	24,600
MY Imports	114	114	110	110	100	100
TY Imports	107	107	123	123	100	100
TY Imp. from U.S.	1	1	1	1	0	1
Total Supply	25,185	25,185	25,621	26,198	29,206	29,383
MY Exports	14,747	14,747	14,790	14,790	13,500	13,500
TY Exports	13,450	13,450	13,744	13,744	14,000	14,000
Feed and Residual	3,750	3,750	3,700	3,700	5,400	5,400
FSI Consumption	3,100	3,100	3,025	3,025	3,075	3,075
Total Consumption	6,850	6,850	6,725	6,725	8,475	8,475
Ending Stocks	3,588	3,588	4,106	4,683	7,231	7,408
Total Distribution	25,185	25,185	25,621	26,198	29,206	29,383

1000 HA, 1000 MT

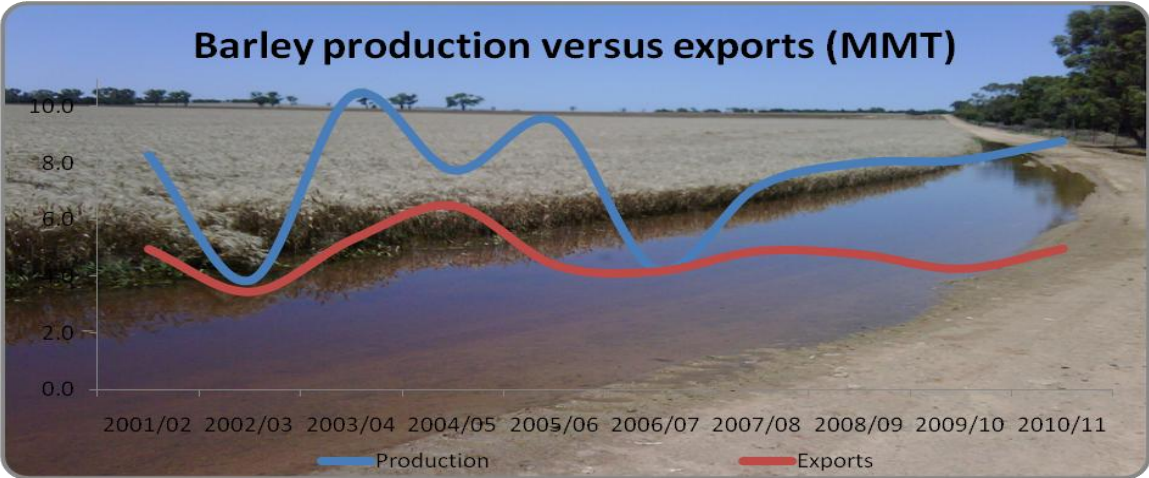
Barley

Total barley production for 2010/11 has been revised upwards to 8.95 MMT. Record rainfall recorded for the spring

period of CY 2010 combined with unseasonably cool weather in some regions has combined to boost barley yields and production by around 1.0 MMT above Post's last report and by 0.5 MMT over the estimate for 2009/10. The 2010/11 crop is now expected to yield a near-record 2.24 MT per hectare, which includes the drought ravaged state of Western Australia.

Despite this upward revision, Post's forecast remains conservative. Harvesting conditions in eastern Australia varies from average to extremely difficult and some losses are expected. In Western Australia, severe drought has seen yields slashed and, in the most extreme cases, some crop failures.

An “historically high” proportion of the Australian barley crop has likely been downgraded due to wet weather at harvest. Despite feed grade barley traditionally being consumed domestically rather than exported, historically high export demand for feed grain is expected to see much of Australia’s feed barley exported.



Source: ABARES data. Photo: Mike Darby

Higher forecast barley production in 2010/11 has caused Post to revise its forecast consumption upwards and lift ending stocks slightly.

Barley	2008/2009		2009/2010		2010/2011	
Australia	Market Year Begin: Nov 2008		Market Year Begin: Nov 2009		Market Year Begin: Nov 2010	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	5,015	5,015	4,446	4,446	4,100	4,000
Beginning Stocks	1,662	1,662	2,425	2,425	1,899	2,425
Production	7,997	7,997	7,909	8,300	9,800	8,950
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	9,659	9,659	10,334	10,725	11,699	11,375
MY Exports	3,234	3,234	3,935	3,800	4,700	4,100
TY Exports	3,278	3,278	3,867	3,700	4,500	4,000
Feed and Residual	2,900	2,900	3,300	3,300	3,700	3,800
FSI Consumption	1,100	1,100	1,200	1,200	1,300	1,150
Total Consumption	4,000	4,000	4,500	4,500	5,000	4,950
Ending Stocks	2,425	2,425	1,899	2,425	1,999	2,325
Total Distribution	9,659	9,659	10,334	10,725	11,699	11,375
1000 HA, 1000 MT						

Sorghum

Total sorghum production in 2011/12 has been revised sharply upwards to 2.45 MMT, around 0.5 MMT

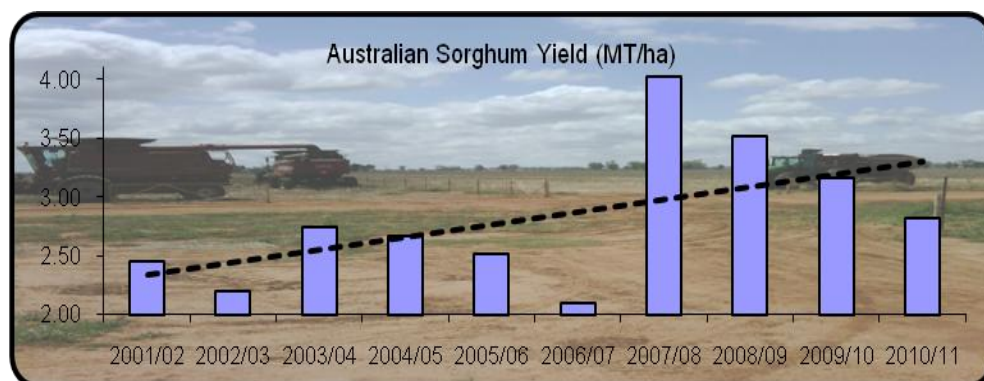
higher than Post’s previous report and up by almost 1.0 MMT on 2010/11. Greatly improved yield prospects combined with a slight increase in planted area is expected to push production higher than previous expectations.

The 2010/11 sorghum crop, which will likely continue being planted until February, is expected to be harvested from March onwards. Heavy rainfall has made planting difficult in some areas but, combined with heavy follow up rain, has boosted yield potential to historically high levels. The

2011/12 sorghum crop is expected to yield at around 3.61 MT per hectare which, according to historical records, would be the second highest all-time yield.

Despite the greatly improved outlook for sorghum production, scope remains for further increases in forecast production depending on final planted area and yield.

Improved production prospects for the 2011/12 crop are expected to see feed consumption and exports increase beyond previous forecasts.



Source: ABARES data. Photo: Mike Darby

Sorghum	2008/2009		2009/2010		2010/2011	
Australia	Market Year Begin: Mar 2009		Market Year Begin: Mar 2010		Market Year Begin: Mar 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	767	767	516	516	650	679
Beginning Stocks	791	791	676	678	671	573
Production	2,690	2,692	1,600	1,500	1,950	2,450
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,481	3,483	2,276	2,178	2,621	3,023
MY Exports	1,000	1,000	600	600	800	950
TY Exports	1,360	1,360	350	350	800	950
Feed and Residual	1,800	1,800	1,000	1,000	1,200	1,300
FSI Consumption	5	5	5	5	5	5
Total Consumption	1,805	1,805	1,005	1,005	1,205	1,305
Ending Stocks	676	678	671	573	616	768
Total Distribution	3,481	3,483	2,276	2,178	2,621	3,023
1000 HA, 1000 MT						

Rice

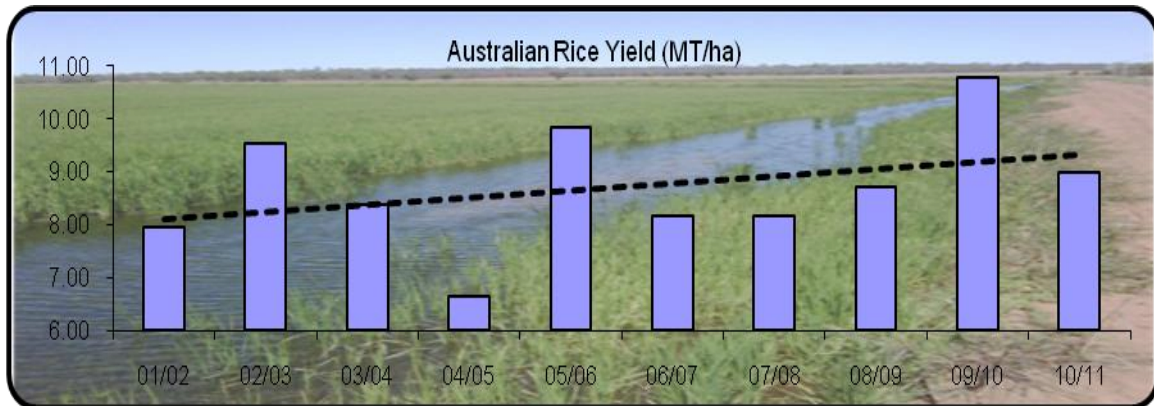
Australian rice production for 2011/12 is forecast to increase to 850,000 MT, up 50,000 MT on Post's previous

forecast and up four-fold on the estimate for 2010/11. An increase in area is expected to more than offset a fall in yield.

As a result of the increase in forecast rice production for 2011/12, Post has increased its forecast for rice exports and carry out stocks.

Heavy rainfall events in southern N.S.W., including catchment areas for irrigation water storage, have boosted irrigation water storages to 100 percent capacity or above. Subsequent allocations of irrigation water for rice growers have also increased sharply. This would likely have encouraged growers to exceed earlier planting intentions somewhat and thus Post has lifted planted area.

Despite an improved irrigation water supply outlook, cool weather has persisted beyond the spring period into summer and this is likely to see average yield decline across the Australian rice crop. Yield has been revised downwards to 8.95 MT per hectare, which would be considered slightly above-average.



Source: ABARE data. Photo: Mike Darby

At time of writing this report, The 2011/12 Australian rice crop is approximately mid way through its growth cycle. An excellent start, which included cool temperatures and exceptional water availability, has been followed by cloudy days and continued cool weather when producers were looking to hotter sunny conditions for increased yield during the later stages of crop development.

Rice, Milled	2008/2009		2009/2010		2010/2011	
Australia	Market Year Begin: Mar 2009		Market Year Begin: Mar 2010		Market Year Begin: Mar 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7	7	19	19	82	95
Beginning Stocks	52	52	26	26	44	44
Milled Production	44	44	142	147	572	608
Rough Production	62	62	199	206	800	850
Milling Rate (.9999)	7,150	7,150	7,150	7,150	7,150	7,150
MY Imports	215	215	225	225	125	125
TY Imports	216	216	225	225	125	125
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	311	311	393	398	741	776
MY Exports	15	15	40	40	325	350
TY Exports	17	17	40	40	325	350
Consumption and Residual	270	270	309	314	330	330
Ending Stocks	26	26	44	44	86	97
Total Distribution	311	311	393	398	741	776
1000 HA, 1000 MT						

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Recent Reports from FAS/Canberra

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<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Title of Report	Date
Citrus Annual 2010	12/10/15
Ag DownUnder - Issue 7 2010	12/10/10
Winter crop harvest under way as rain continues in eastern Australia	11/30/10
Australia Moves toward Phasing Out the Use of Sow Gestation Stalls	11/24/10
Dairy and Products Annual 2010	11/23/10
Grain and Feed Lock-Up – November 2010	10/28/10
Ag DownUnder – Issue 6 2010	10/15/10
Sugar Semi Annual 2010	09/29/10
Livestock and Products Annual	09/01/10
Stone Fruit Annual 2010	08/20/10
Grain & Feed Update – August 2010	07/30/10
Ag DownUnder Issue 5 2010	07/22/10
Food & Agriculture Import Regulations & Standards Report	07/21/10
Agricultural Biotechnology Annual	07/14/10
Biofuels Annual 2010	07/06/10
Ag DownUnder Issue 4 2010	06/25/10
Increased Access for Australian Fresh Fruit to China & Japan	06/23/10